

SENATE, No. 2861

STATE OF NEW JERSEY

213th LEGISLATURE

INTRODUCED MAY 21, 2009

Sponsored by:

Senator THOMAS H. KEAN, JR.

District 21 (Essex, Morris, Somerset and Union)

SYNOPSIS

Allows gross income tax credit for certain contributions to New Jersey Better Educational Savings Trust (NJBEST) Program and to certain other federally qualified tuition savings programs.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** allowing a gross income tax credit for certain contributions
2 to the New Jersey Better Educational Savings Trust (NJBEST)
3 Program and to certain other federally qualified tuition savings
4 programs, supplementing Title 54A of the New Jersey Statutes.

5
6 **BE IT ENACTED** *by the Senate and General Assembly of the State*
7 *of New Jersey:*

8
9 1. a. A taxpayer shall be allowed a credit against the tax
10 otherwise due under the “New Jersey Gross Income Tax Act,”
11 N.J.S.54A:1-1 et seq., for a percentage of the taxpayer’s
12 contribution for the taxable year to one or more accounts
13 established: (1) pursuant to the “New Jersey Better Educational
14 Savings Trust (NJBEST) Program,” N.J.S.18A:71B-35 et seq.; or
15 (2) in compliance with subsection (b) of section 529 of the federal
16 Internal Revenue Code of 1986 (26 U.S.C. s.529) or a tuition credit
17 or certificate purchased pursuant to any such program.

18 b. The amount of credit allowed under this section shall be equal
19 to 10 percent of the aggregate amount of the taxpayer’s contribution
20 for the taxable year which is less than or equal to \$5,000, plus five
21 percent of the aggregate amount of the taxpayer’s contribution for
22 the taxable year which is greater than \$5,000 but less than or equal
23 to \$10,000.

24 c. Notwithstanding the provisions of subsection b. of this
25 section, a married person filing separately shall, unless otherwise
26 ineligible, be entitled to one-half of the credit allowed under this
27 section.

28 d. The amount of any credit otherwise allowable under this
29 section that cannot be applied for the taxable year may be carried
30 forward to the three taxable years following the taxable year for
31 which the credit was allowed.

32
33 2. This act shall take effect immediately and shall apply to
34 contributions made for taxable years beginning on or after January
35 1 next following the date of enactment.

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38 **STATEMENT**

39
40 This bill allows a credit against the New Jersey gross income tax
41 for certain contributions to the New Jersey Better Educational
42 Savings Trust (NJBEST) Program and to certain other federally
43 qualified tuition savings programs.

44 Under the bill, taxpayers are eligible to receive a credit for a
45 percentage of the taxpayer’s contribution for the taxable year to one
46 or more accounts established: (1) pursuant to the NJBEST
47 Program; or (2) in compliance with subsection (b) of section 529 of

1 the federal Internal Revenue Code of 1986, or a tuition credit or
2 certificate purchased through any such program.

3 The amount of credit allowed under the bill is equal to 10
4 percent of the aggregate amount of the taxpayer's contribution for
5 the taxable year which is less than or equal to \$5,000, plus five
6 percent of the aggregate amount of the taxpayer's contribution for
7 the taxable year which is greater than \$5,000 but less than or equal
8 to \$10,000.

9 For single individuals or for married couples and civil union
10 partners filing jointly, the amount of credit is, in effect, less than or
11 equal to \$750 (\$500 for the first \$5,000 of contributions plus \$250
12 for the second \$5,000 of contributions). For married couples or
13 civil union partners filing separately, the credit is one-half the
14 amount allowed for couples and partners filing jointly.

15 The bill stipulates that unused credit may be applied against
16 future tax liabilities. The amount of any credit that cannot be
17 applied may be carried forward for up to three years following the
18 taxable year for which the credit was allowed.

19 NJBEST is New Jersey's federal Internal Revenue Code section
20 529 college savings program. NJBEST and other federally
21 qualified college savings programs are designed to help families set
22 aside funds for future higher-education expenses. They allow
23 taxpayers to make contributions of federally taxed income to
24 accounts established for the beneficiaries' qualified higher
25 education expenses. Account investment earnings are not federally
26 taxed until withdrawn, and if the earnings are applied to qualified
27 higher educational expenses (tuition and fees, books, supplies, and
28 room and board) they are not subject to tax.

29 The State of New Jersey currently matches the federal tax
30 advantages provided for 529 savings programs. Investment
31 earnings accumulating in a federally qualified tuition program
32 account are excluded from gross income and, upon distribution,
33 amounts used to pay higher education expenses are excluded from
34 taxation.

35 The tax law changes provided by this bill are intended to serve as
36 an additional financial incentive for participation in the NJBEST
37 and other federally qualified tuition savings programs, and as a
38 means to assist taxpayers in meeting the escalating costs of
39 educating the best and brightest of our current and future
40 generations.